Massachusetts
Housing
Partnership

February 16, 2021

Board of Governors of the Federal Reserve System
Attention: Ann E. Misback, Secretary
20th Street and Constitution Avenue NW
Washington, DC 20551

RE: Docket No. R-1723 and RIN 7100-AF94

To whom it may concern:

Thank you for the opportunity to comment on Community Reinvestment Act (CRA) Regulations proposed by the Federal Reserve Board.

The Massachusetts Housing Partnership (MHP) is a public, nonprofit organization that provides financing for affordable housing across the Commonwealth of Massachusetts. Through our own multifamily loan programs funded by bank lines of credit and through a residential mortgage program administered by MHP and offered by participating banks, we have provided more than $5.7 billion in long-term financing supporting 26,090 rental units and 23,102 home purchases by low-moderate income, first-time buyers.

Over the last 30 years MHP's financing programs have operated in partnership with our state bankers association and with 103 CRA-regulated banking institutions doing business in Massachusetts, including several banks regulated by the Federal Reserve.

MHP's CRA financing programs are significant both because of the people and neighborhoods they serve and also because of how well they perform. Eighty-seven percent of our home purchase lending is in predominantly low-income cities, to borrowers below 80 percent of area median income (AMI), or to borrowers of color who have historically been underserved and discriminated against. Our multifamily loan pool has no delinquencies and has experienced no loan losses since its inception in the early 1990s. The delinquency rate and default rate for our home mortgage loans to low- and moderate-income borrowers, currently at 2.43 and 0.4 percent respectively, are significantly below the rate for prime mortgage loans in Massachusetts.

We applaud the Federal Reserve's interest in improving the implementation of CRA and believe there are many long overdue steps that would accomplish that objective. MHP is a member of the National Association of Affordable Housing Lenders (NAAHL) and participated in numerous discussions about CRA reform over the last several years. MHP supports NAAHL's recommendations, which reflect a strong consensus among the leading banks and nonprofit loan funds across the U.S. engaged in community development lending.

160 Federal Street | Boston, Massachusetts 02110 | Tel: 617-330-9955 | Fax: 617-330-1919
462 Main Street | Amherst, Massachusetts 01002 | Tel: 413-253-7379 | Fax: 413-253-3002
www.mhp.net

Based on our experience working with banks to originate high-impact CRA loans -- which has resulted in one of the largest and best-performing portfolios in the U.S. - the Massachusetts Housing Partnership is supportive of the direction the Federal Reserve is taking to CRA reform. In our view the proposed rule takes many steps to substantially strengthen CRA through its basis on data, its maintenance of a refined series of subtests, and its focus both within and beyond bank's established assessment areas. Its adoption would likely increase the availability of credit to low-income borrowers and census tracts. We would like to provide feedback and input on the ANPR as follows:

(1) It is time for CRA to take racial equity directly into account. For over 30 years MHP has been creating financing mechanisms to address racial inequities and discrimination. Our first-time homebuyer mortgage product, ONE Mortgage, and its predecessor, the SoftSecond Loan Program, were created in direct response to a 1989 Federal Reserve study that detailed racial discrimination in mortgage lending by banks in Boston. To this day we've helped over 11,500 households of color purchase their first home in Massachusetts, allowing them to put down roots, gain stability, and build long-lasting wealth through homeownership. The distinct wealth gaps that exist have been fueled by decades of systemic housing policy and underinvestment, with homeownership being a key driver. Therefore we feel that CRA is a tool that could help create more pathways through lending and investment aimed at closing existing gaps.

(2) We support the Federal Reserve Board's approach to the Community Development test, including the combined financing subtest that includes both loans and investments. Flexibility between community development lending and investment has allowed banks to be more responsive to community needs. Since Low Income Housing Tax Credits (LITHC) and New Markets Tax Credits (NMTC) are both limited and competitive, the combined test will allow large banks to fulfill their obligations in different manners, largely depending on their geographic location. With regard to impact scores and their relation to the Community Development Financing subtest we do feel that a scoring range of 1-3 is too limited to provide appropriate differentiation between banks. There are such a wide variety of activities that could factor into a bank's impact score that a wider range would seem more apt to capture the true impact of a bank's community development financing efforts.

(3) MHP feels strongly that large bank ratings should maintain the "high" and "low" satisfactory ratings in order to continue motivating banks to provide more reinvestment activity, as opposed to combining the two into a single satisfactory rating. It remains important for banks to strive for an outstanding rating and by differentiating the component ratings of satisfactory, it gives banks an opportunity to score outstanding on one subtest, "high" satisfactory on another, yet still maintain an overall rating of

outstanding. From an advocacy perspective it will also make it easier to distinguish the relative performance of banks against their peers.

(4) We appreciate the Federal Reserve's interest in clarifying the treatment of unsubsidized affordable rental housing under CRA as a vast majority of the nation's rental units affordable to LMI renters are not publicly subsidized. We support NAAHL's proposal that rental housing not subject to tenant income restrictions should receive favorable consideration as affordable housing if most of the property's rents are affordable when the financing is committed and the property meets one of the following three additional standards:

   a. The property is located in an LMI neighborhood (i.e., census tract).
   b. Most renters in the neighborhood are LMI and most rents in the neighborhood are affordable.
   c. The owner agrees to maintain affordability to LMI renters for the life of the financing.

(5) We agree that it's important for CRA modernization to support retail and community development activity both inside bank's assessment areas and nationwide. It therefore makes sense to give banks credit for CRA activity outside of their assessment areas if, and only if, they are doing a good or outstanding job meeting the credit needs within their assessment areas. Two finer points of the ANPR ask about delineating facility-based assessment areas around loan production offices (LPOs) and around deposit-taking ATMs. MHP does not support the idea of assessment areas surrounding LPOs, but does believe that banks should retain the option of delineating assessment areas surrounding deposit-taking ATMs since it is rare for a bank to locate deposit-taking ATMs in markets where they do not operate branch facilities.

MHP looks forward to the implementation of a modernized CRA regulation. It should undoubtedly have a positive impact on LMI communities across the nation, including here in Massachusetts.

Thank you for your consideration of these comments.

Sincerely,

Clark L. Ziegler
Executive Director

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